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Soon Seng Palm Oil Mill (Gemas) Sdn Bhd & Ors v Jang Kim Luang @ Yeo Kim Luang & Ors

HIGH COURT (KUALA LUMPUR) — SUIT NO D-22(IP)-337 OF 2006
AZAHAR MOHAMED J
9 JANUARY 2011

Companies and Corporations — Directors — Fiduciary duties — Breach of — Duty not to use confidential information belonging to company for personal gain — Duty upon resignation — Whether first defendant director of second plaintiff under duty to protect and preserve confidentiality during and post employment — Conflict of interest — Whether first defendant unlawfully misappropriated, disclosed and/or used second plaintiff's confidential information to set up companies engaged in same research and development — Whether first defendant launched competitive businesses using confidential information — Whether conflict of duty and interest — Damages — Whether plaintiffs entitled to damages

Trademarks — Patents — Declaration of rightful ownership — Whether second plaintiff had proprietary rights over invention — Whether second plaintiff had ownership of all rights to any patents arising from invention — Whether employer-employee relationship between plaintiffs and first defendant — Whether invention deemed to accrue to employer — Whether defendants misappropriated and converted invention — Whether defendants patent applications and/or patents unlawfully derived from invention — Patents Act 1983 ss 3, 12 & 20

The first to the fifth plaintiffs were at all material times carrying on the business relating to the oil palm industry that constituted the oil palm division of the Soon Seng Group, which was owned by the Tai family. The first defendant, the ex-wife of a member of the Tai family, was a director/chief executive of the Soon Seng Palm Oil Division ('the SSPO Division') until she resigned. During her tenure as an employee/director of the SSPO Division, the first defendant was in control of the division's assets and properties as well as all confidential information belonging to the second plaintiff and also headed the research and development of an invention that was developed by the SSPO Division. This invention, which the plaintiffs sought to protect, arose from a collaboration undertaken between FRIM and the SSPO Division ('the collaboration') and covered a wide scope of products and processes relating to an apparatus that was invented to shred the fiber ('the shredder'), the fiber itself and the end-products produced therefrom. As all research and development for the invention was carried out under the banner of the SSPO Division, the second plaintiff claimed all proprietary rights over the invention and claimed

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ownership of all rights to any patents arising from the invention. The present action instituted by the plaintiffs revolves around this invention. The plaintiffs claimed that the first defendant, in whom the plaintiffs had reposed trust and confidence and who was privy to confidential information relating to the invention, had acted in breach of her contract of employment or in breach of her fiduciary duties and duties of trust/care by misappropriating and converting the second plaintiff's invention for her own use and that of the second to seventh defendants. The second defendant was the first defendant's business partner, while the third to seventh defendants were companies belonging to the first defendant. The plaintiffs further claimed that the first defendant had unlawfully made patent applications arising from the invention in her name jointly with the second to seventh defendants. By way of this action the plaintiffs sought, inter alia, declarations and judicial assignments relating to the patent applications and patents and/or any patents containing the invention, injunctive relief, account of profits and damages in the sum of RM4,626,082.99, being the loss suffered by the plaintiffs as a result of the first defendant's misdeeds. In her defence the first defendant claimed that there was no breach of any obligation of confidence on the part of the first defendant, and correspondingly by the other defendants, because the alleged confidential information did not possess the requisites for confidentiality and because the plaintiffs had not taken appropriate steps to preserve the alleged confidentiality of the information. It was the defendants' contention that the plaintiffs' case on the invention was limited to the shredder and that the first defendant invented the shredder outside the purview of the plaintiffs upon the plaintiffs' refusal to invest in the development of the shredder. Further, the first defendant submitted that her employment with the plaintiffs was a mutual family arrangement of convenience and in the circumstances she was not in breach of her obligations and fiduciary duties as a director. The defendants also submitted that the patent and utility innovations did not relate to the invention and were independent innovations and inventions, which did not utilise any alleged confidential information of the plaintiffs. The defendants thus argued that the plaintiffs were not entitled to any of the reliefs they had prayed for.

Held, allowing the plaintiffs' claim in part:

(1) Bearing in mind the wide meaning of 'invention' in s 12 of the Patents Act 1983 ('the Act'), it was found that the invention was not limited to the shredder but encompassed the wider definition of an invention, which included the shredder. The contemporaneous documents and events clearly supported the fact that the invention was the direct result of the collaboration and that the research and development activities relating to the invention were carried out at the expense of the SSPO Division and at no cost to the first defendant and/or the other defendants. In fact, neither the first defendant nor the other defendants

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had any collaboration with FRIM. In the circumstances the defendants' contention that the first shredder was developed by the first and fifth defendants could not stand. All the averments by the defendants in this respect were found to be bare allegations. It was thus established that since the invention was a direct result of the collaboration that the shredder, which formed the subject matter of this invention, also arose out of the collaboration (see paras 35–36).

(2) There was overwhelming evidence that the first defendant was an employee and a director or chief executive of the plaintiffs and was under a contract of employment with the SSPO Division. As such, she played an active role in the development of the shredder and other products and processes under the banner of the collaboration. The first defendant's arguments that the whole scheme and operational setting between the first defendant and the plaintiffs was based on family arrangements and was devoid of any legal intention to create legal intentions did not alter the terms of her employment with the plaintiffs. The first defendant was imposed with an obligation to carry out all activities for the benefit of the plaintiff companies and was therefore caught under s 20 of the the Act, which provided that an invention that resulted from carrying out the duties by an employee accrued to the employer. Further, the second plaintiff was the owner of all rights to a patent for the invention and there was nothing contrary to the first defendant's contract of employment to defeat the plaintiffs' right to claim ownership rights to the patents and patent applications in question (see paras 41–42 & 45).

(3) The plaintiff had proven on a balance of probability that all information relating to and in connection to the invention that the first defendant was made privy to in the course of her employment with the plaintiffs belonged to the latter and was confidential nature. As such, it was the duty and responsibility of the first defendant to protect and preserve confidentiality during and post employment. It was thus found that that the first defendant through her position in the plaintiffs' companies had unlawfully misappropriated, disclosed and/or used the second plaintiff's confidential information to set up companies which engaged in the same research and development that arose from the collaboration and launched competitive businesses using such information. In doing so, she caused the patents and patent applications to be filed under her name and/or the defendants' names. This was a plain case of a conflict of duty and interest (see para 62).

(4) Although the plaintiffs had proven their case against the defendants on a balance of probabilities they had not proven their entitlement to damages. The plaintiffs claimed that the sum of RM1,254,734.50 was paid by the fifth plaintiff as salaries, bonuses and allowances to an employee of the fifth defendant, but the said employee was also the

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technical man of the plaintiffs' group of companies. Further, the plaintiffs were not entitled to the sum of RM3,371,348.49 as damages because it had not been satisfactorily established as to how the wrongful or misadjustment of funds or any of the alleged transactions had been carried out by the first defendant. The plaintiffs had not discharged their legal burden of establishing that the debit notes they had produced as evidence had been wrongfully issued and that they had suffered damages by the invoices not having been paid. Hence their claim for damages in the sum of RM4,626,082.99 was not allowed (see paras 59–60).

[Bahasa Malaysia summary

Plaintif-plaintif pertama hingga kelima pada setiap masa material menjalankan perniagaan berkaitan perindustrian kelapa sawit yang membentuk bahagian kelapa sawit Soon Seng Group, yang dimiliki oleh keluarga Tai. Defendan pertama, bekas isteri kepada seorang ahli keluarga Tai merupakan pengarah/ketua eksekutif Bahagian Kelapa Sawit Soon Seng ('Bahagian KSSS') sehingga dia meletak jawatan. Sepanjang perkhidmatannya sebagai pekerja/pengarah Bahagian KSSS, defendan pertama mempunyai kawalan ke atas aset-aset dan hartanah-hartanah bahagian dan juga semua maklumat sulit plaintif kedua dan juga mengetuai penyelidikan dan pembangunan satu ciptaan yang dibuat oleh Bahagian KSSS. Ciptaan ini, yang mana plaintif-plaintif memohon agar dilindungi, timbul daripada kerjasama antara FRIM dan Bahagian KSSS ('kerjasama tersebut') dan meliputi skop luas produk dan proses berkaitan peralatan yang dicipta untuk mencarik gentian ('pencarik'), gentian itu sendiri dan keluaran produk yang dihasilkan daripadanya. Oleh kerana semua penyelidikan dan pembangunan untuk ciptaan itu dijalankan di bawah sepanduk Bahagian KSSS, plaintif kedua menuntut semua hak empunya ke atas ciptaan itu dan menuntut hak milik semua hak ke atas apa-apa paten yang timbul daripada ciptaan itu. Tindakan ini yang dimulakan oleh plaintif-plaintif adalah berkisarkan ciptaan ini. Plaintif-plaintif mendakwa bahawa defendan pertama, yang mana plaintif-plaintif meletakkan kepercayaan dan keyakinan dan yang merupakan privi kepada maklumat sulit berkaitan ciptaan itu, telah bertindak melanggar kontrak pekerjaannya atau telah melanggar kewajipan fidusiari dan kewajipan amanah/berhati-hatinya dengan menyalahgunakan dan menukar ciptaan plaintif kedua untuk kegunaan sendiri dan defendan-defendan kedua hingga ketujuh. Defendan kedua merupakan rakan kongsi perniagaan defendan pertama, manakala defendan-defendan ketiga hingga ketujuh adalah syarikat-syarikat milik defendan pertama. Plaintif-plaintif selanjutnya mendakwa bahawa defendan pertama menyalahi undang-undang membuat peralatan-peralatan paten yang timbul daripada ciptaan itu dalam namanya bersama dengan defendan-defendan kedua hingga ketujuh. Melalui tindakan ini plaintif-plaintif memohon, antara lain, deklarasi dan penguntukan kehakiman berkaitan peralatan-peralatan paten dan paten-paten dan/atau paten-paten yang mengandungi ciptaan, relief injunktif, akaun keuntungan

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dan ganti rugi berjumlah RM4,626,082.99, yang merupakan kerugian dialami oleh plaintif-plaintif akibat daripada salah laku defendan pertama. Dalam pembelaannya defendan pertama mendakwa bahawa tiada pelanggaran apa-apa tanggungjawab keyakinan di pihak defendan pertama, dan begitu juga oleh defendan-defendan lain, kerana maklumat sulit yang dikatakan itu tidak mempunyai keperluan kerahsiaan dan kerana plaintif-plaintif tidak mengambil langkah-langkah wajar untuk melindungi kerahsiaan maklumat yang dikatakan itu. Adalah hujah defendan-defendan bahawa kes plaintif-plaintif berhubung ciptaan itu adalah terhad kepada pencarik tersebut dan bahawa defendan pertama telah mencipta pencarik tersebut di luar skop plaintif-plaintif berdasarkan keengganan plaintif-plaintif melabur dalam pembangunan pencarik itu. Tambahan pula, defendan pertama berhujah bahawa pekerjaannya dengan plaintif-plaintif adalah urusan keluarga untuk kemudahan bersama dan dalam keadaan berikut dia tidak melanggar tanggungjawab dan kewajipan fidusiarinya sebagai pengarah. Defendan-defendan juga berhujah bahawa ciptaan-ciptaan paten dan peralatan tiada kaitan dengan ciptaan tersebut dan merupakan inovasi dan ciptaan berasingan, yang tidak menggunakan mana-mana maklumat sulit plaintif-plaintif yang dikatakan itu. Oleh itu defendan-defendan berhujah bahawa plaintif-plaintif tidak berhak mendapat apa-apa relief sepertimana yang dipohon.

Diputuskan, membenarkan sebahagian daripada tuntutan plaintif-plaintif:

(1) Dengan mengambilkira maksud luas 'invention' dalam s 12 Akta Paten 1983 ('Akta'), didapati bahawa ciptaan itu tidak terhad kepada pencarik itu tetapi meliputi definisi lebih luas suatu ciptaan, iaitu termasuklah pencarik itu. Dokumen-dokumen dan keadaan semasa jelas menyokong fakta bahawa ciptaan tersebut adalah akibat langsung kerjasama tersebut dan bahawa aktiviti-aktiviti penyelidikan dan pembangunan berkaitan ciptaan itu telah dijalankan atas perbelanjaan Bahagian KSSS dan tiada kos ditanggung defendan pertama dan/atau defendan-defendan lain. Bahkan, defendan pertama mahupun defendan-defendan lain tidak bekerjasama dengan FRIM. Dalam keadaan tersebut hujah defendan-defendan bahawa pencarik pertama telah dibuat oleh defendan-defendan pertama dan kelima tidak dapat dikekalkan. Semua penegasan oleh defendan-defendan berkaitan perkara ini didapati dakwaan semata-mata. Oleh itu adalah dibuktikan oleh kerana ciptaan tersebut merupakan hasil langsung kerjasama tersebut maka pencarik itu, yang membentuk perkara pokok ciptaan ini juga timbul daripada kerjasama tersebut (lihat perenggan 35–36).

(2) Terdapat keterangan nyata bahawa defendan pertama adalah pekerja dan pengarah atau ketua eksekutif plaintif-plaintif dan adalah di bawah kontrak pekerjaan dengan Bahagian KSSS. Oleh itu, dia memainkan peranan aktif dalam pembikinan pencarik itu dan produk dan proses lain

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di bawah sepanduk kerjasama tersebut. Hujah defendan pertama bahawa keseluruhan skima dan penetapan operasi antara defendan pertama dan plaintif-plaintif adalah berdasarkan aturan keluarga dan tiada niat dari segi undang-undang untuk membentuk niat undang-undang tidak mengubah terma pekerjaannya dengan plaintif-plaintif. Defendan pertama telah meletakkan tanggungjawab untuk melaksanakan semua aktiviti bagi manfaat plaintif syarikat dan oleh itu terikat di bawah s 20 Akta Paten 1983 ('Akta') tersebut, yang memperuntukkan bahawa suatu ciptaan yang terhasil daripada pelaksanaan tugasan oleh pekerja terakru ke atas majikan. Tambahan pula, plaintif kedua adalah pemilik kesemua hak ke atas paten untuk ciptaan tersebut dan tiada apa-apa yang bertentangan dengan kontrak pekerjaan defendan pertama untuk mematahkan hak plaintif-plaintif untuk menuntut hak milik ke atas paten-paten dan peralatan-peralatan paten yang dipersoalkan (lihat perenggan 41–42 & 45).

(3) Plaintif telah membuktikan atas imbangan kebarangkalian bahawa semua maklumat berkaitan kepada dan berkait dengan ciptaan tersebut bahawa defendan pertama telah dijadikan privi dalam pekerjaannya dengan plaintif-plaintif telah menjadi milik plaintif-plaintif dan bersifat sulit. Oleh itu, adalah kewajipan dan tanggungjawab defendan pertama untuk melindungi dan mengekalkan kerahsiaan itu semasa dan selepas pekerjaan. Adalah didapati bahawa defendan pertama melalui kedudukannya dalam syarikat plaintif telah secara salah menyeleweng, mendedahkan dan/atau menggunakan maklumat sulit plaintif-plaintif kedua untuk menubuhkan syarikat yang menjalankan penyelidikan dan pembangunan sama yang timbul daripada kerjasama tersebut dan memulakan persaingan perniagaan menggunakan maklumat tersebut. Dengan berbuat demikian, dia telah menyebabkan paten-paten dan peralatan paten itu difailkan di bawah namanya dan/atau nama defendan-defendan. Ini jelas satu kes konflik tanggungjawab dan kepentingan (lihat perenggan 62).

(4) Meskipun plaintif-plaintif telah membuktikan kes mereka terhadap defendan-defendan atas imbangan kebarangkalian mereka tidak membuktikan hak mereka untuk ganti rugi. Plaintif-plaintif mendakwa bahawa jumlah RM1,254,734.50 telah dibayar oleh plaintif kelima sebagai gaji, bonus dan elaun kepada pekerja defendan kelima tetapi pekerja tersebut juga merupakan juruteknik kumpulan syarikat plaintif-plaintif. Selanjutnya, plaintif-plaintif tidak berhak terhadap jumlah RM3,371,348.49 sebagai ganti rugi kerana ia tidak dengan memuaskan membuktikan bagaimana wang atau apa-apa transaksi yang diakatakan salah dan tidak tepat telah dijalankan oleh defendan pertama. Plaintif-plaintif tidak melepaskan beban perundangan mereka dengan membuktikan bahawa nota-nota debit yang dikemukakan oleh mereka sebagai bukti telah salah dikeluarkan dan bahawa mereka telah

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mengalami kerugian disebabkan invois-invois yang tidak dibayar. Justeru itu tuntutan mereka untuk ganti rugi sejumlah RM4,626,082.99 tidak dibenarkan (lihat perenggan 59–60).] A

Notes B

For cases on fiduciary duties, see 3(1) *Mallal's Digest* (4th Ed, 2011 Reissue) paras 252–290.

For cases on trademarks in general, see 12 *Mallal's Digest* (4th Ed, 2011 Reissue) paras 1927–2216.

Cases referred to C

Ansell Rubber Co Pty Ltd v Rubber Industries Pty Ltd [1972] RPC 881 (refd)

British Reinforce Concrete Engineering Company Ltd v Lind (1917) 34 RPC 101 (refd)

Coco v AN Clark (Engineering) Ltd [1969] RPC 41 (refd) D

Cranleigh Precision Engineering Ltd v Bryant and anor [1964] 3 All ER 289 (refd)

Faccenda Chicken Ltd v Fowler & Ors [1987] 1 Ch 117, CA (refd)

LFFE Administration and Management v Pavel Pinkava [2007] RPC 30, CA (refd) E

Regent Decorators (M) Sdn Bhd v Michael Chee & ors [1984] 2 MLJ 78 (refd)

Seager v Copydex Ltd [1967] 2 All ER 415, HL (refd)

Triplex Safety Glass Co Ltd v Scorah (1938) 55 RPC 21 (refd)

Ultraframe UK Ltd v Fielding [2003] RPC 23 (refd) F

Legislation referred to

Companies Act 1965 s 132(2)
Evidence Act 1950
Patents Act 1983 ss 3, 12, 20, 20(1) (2) G

Gananathan Loh (Olivia Loh and Benjamin Thompson with him) (Gananathan Loh) for the plaintiffs.

SF Wong (CY Loi with him) (Shearn Delamore & Co) for the defendants.

H

Azahar Mohamed J:

THE INVENTION

[1] This action revolves around an invention which has been defined in the plaintiffs' statement of claim as 'products and processes related to the conversion and production of intrinsic fiber from oil palm material (especially waste material such as empty fruit bunches ('EFB')), the further processing of such intrinsic fibers for the manufacture of semi-processed materials, including I

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but not limited to medium density fiber boards ('MDF') and fibrous mats ('Mulching Mats') and the manufacture of end products from raw and semi-processed materials'.

[2] The plaintiffs' case is that the first defendant, an ex-employee and managing director of the plaintiffs had misappropriated and converted the invention, to which the second plaintiff claims ownership. According to the plaintiffs, the second to seventh defendants are applicants/beneficiaries of the patent applications and/or patents unlawfully derived from the invention. Among others, the plaintiffs seek judicial assignment of the patent applications and/or patents.

THE TRIAL

[3] During the trial of the action on 4–5 November 2009 and 9–10 December 2009, the plaintiffs called four witnesses as follows:

(a) Dato' Tai E-King ('PW1'). His statement is marked as 'P3'.

(b) Mohammad Tahir bin Md Yussof ('PW2'). His statement is marked as 'P5'.

(c) Joh Pet Choo ('PW3'). Her statement is marked as 'P7'.

(d) Tai Nyak Chang ('PW4'). Her statement is marked as 'P4'.

[4] The defendants also called four witnesses as follows:

(a) Wang Jinxing ('DW1'). His statement is marked as 'D8'.

(b) Heng Jee Heng ('DW2'). His statement is marked as 'D9'.

(c) Yeo Kim Luang or Madam Yeo, the first defendant ('DW3'). Her statement is marked as 'D10'.

(d) Dr Mohamed Nor ('DW4'). His statement is marked as 'DM'.

THE PARTIES

[5] The background facts which are not disputed are as follows: The first plaintiff is a private limited company and is the holding company of the second and third plaintiffs. The plaintiffs carry on business relating to the oil palm industry and constitute the oil palm division of the Soon Seng Group, which is owned by the Tai family. The fourth and fifth plaintiffs are private limited companies and are wholly owned subsidiaries of Soon Seng Co Sdn Bhd, the parent company within the Soon Seng Group. The first defendant is the ex-wife of one Tai Swee Kian, who is one of the members of the Tai family. Tai Swee Kian is also one of the directors of the plaintiffs. The Tai family controls

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the plaintiffs' group of companies. The first defendant was a shareholder and managing director of the third defendant. The second defendant is a shareholder and director of the third defendant and is a director of the fourth, sixth and seventh defendants. The third defendant is a public company incorporated on or about 13 September 2003 and is listed on MESDAQ. The third defendant carries on the business as an investment holding company and is the holding company of the fourth to the seventh defendants. The fourth defendant is a private limited company incorporated on or about 13 March 1999 and is a wholly owned subsidiary of the third defendant. The principal business of the fourth defendant is that of investment holding and deriving income from licensing of technologies. The fifth defendant is a private limited company incorporated on or about 10 December 1992 wherein the first defendant was one of its original founders. The fifth defendant is a wholly owned subsidiary of the third defendant. The principal business of the fifth defendant is described as that of milling, sale of crude palm oil, palm kernel and recycling of oil biomass. The sixth defendant is a private limited company incorporated on or about 10 June 1998 and is wholly owned subsidiary of the third defendant. The principal business of the sixth defendant is that of production and sale of fibrous mat from oil palm biomass and engineering and sale of specialised machineries. The seventh defendant is a private limited company incorporated on or about 30 May 2003 and is a wholly owned subsidiary of the third defendant. The principal business of the seventh defendant is that of production and sale of packaging products from oil palm biomass.

[6] To make the point under discussion easier to understand, it is useful to state briefly the rival contentions of the parties in this action.

SUMMARY OF THE PLAINTIFFS' CASE

[7] The first to the fifth plaintiffs carry on business relating to the oil palm industry and constitute the oil palm division of the Soon Seng Group owned by the Tai family ('Soon Seng Palm Oil Division').

[8] The first defendant was an employee of the Soon Seng Palm Oil Division and was as a director/chief executive until she resigned. The first defendant executed a contract of employment dated 30 December 1994 with the first plaintiff. The second defendant is the business partner of the first defendant. The third to the seventh defendants are companies belonging to the first defendant wherein she is a substantial shareholder and director.

[9] Pursuant to the terms of the contract of employment, the first defendant, amongst other things:

(a) was under a duty not to disclose and make use of Soon Seng Palm Oil Division's confidential information and documents;

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(b) was under a continuing obligation to protect and preserve all confidential information after termination of her employment with Soon Seng Palm Oil Division;

(c) was under an obligation not to render services to other competitors of Soon Seng Palm Oil Division during the term of her employment and three years after termination of her employment;

(d) had a duty to turnover Soon Seng Palm Oil Division's property and confidential information upon termination of her employment;

(e) had fiduciary duty to act in good faith and best interests of Soon Seng Palm Oil Division.

[10] During her tenure as employee/director, the first defendant managed the day to day operations and business of the Soon Seng Palm Oil Division, which was within her exclusive control. She oversaw and carried out management duties of the Soon Seng Palm Oil Division. She was also in control of the Soon Seng Palm Oil Division's assets and properties as well as all confidential information belonging to the second plaintiff.

[11] The first defendant also headed the research and development of the invention, on behalf of Soon Seng Palm Oil Division. The invention includes products and processes related to the conversion and production of intrinsic fibre from oil palm material (especially waste material such as empty fruit bunches), the further processing of such intrinsic fibers for manufacture of semi-processed materials, including but not limited to medium density fiber boards ('MDF') and fibrous mats ('Mulching Mats') and the manufacture of end products from raw and semi-processed materials.

[12] At all material times, the Soon Seng Group provided funds, resources and machinery for the research and development of the invention. In this respect:

(a) the Soon Seng Palm Oil Division entered into joint research and development with FRIM;

(b) the second plaintiff with the backing of Soon Seng Group obtained a government grant and financial facilities to finance the project;

(c) manufacturing operations and plant were set up.

[13] All research and development for the invention was carried out under the banner of the Soon Seng Palm Oil Division. As such, the second plaintiff claims all proprietary rights over the invention and is the owner of all rights to any patents arising from the invention.

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[14] The information relating to and in connection to the invention belonging to the second plaintiff is confidential in nature. The Soon Seng Palm Oil Division reposed trust and confidence in the first defendant to protect the confidential information. However, she failed in her duties and breached the trust and confidence reposed to her.

[15] During and after her employment with Soon Seng Palm Oil Division, the first defendant, acted in breach of her contract of employment, breach of fiduciary duties/trust/care, in that she:

(a) unlawfully misappropriated and/or converted the invention for her own use and that of the second to the seventh defendants;

(b) unlawfully made patent applications arising from the invention in her name jointly with the second to the seventh defendants;

(c) misrepresented to FRIM and the Government of Malaysia that stable-win was a subsidiary and associated company of Soon Seng Palm Oil Division;

(d) unlawfully used and disclosed the second plaintiff's confidential information to second to the seventh defendants for her own benefit;

(e) failed to surrender all property belonging to Soon Seng Palm Oil Division including the second plaintiff's confidential information after termination of her employment;

(f) unlawfully exercised her powers as director/CEO of the Soon Seng Palm Oil Division to achieve collateral purposes benefiting herself and the third to the seventh defendants at the expense of the Soon Seng Palm Oil Division;

(g) placed herself in a position where her personal interest conflicted with the interest of the Soon Seng Palm Oil Division.

[16] The defendants also used the invention and the second plaintiff's confidential information as a 'springboard' to carry out their own manufacturing processes and unlawfully benefited from the conduct of the first defendant. They unjustly enriched themselves and were dishonest. The defendants are jointly and severally liable for all matters complained by the plaintiffs.

[17] The plaintiffs seek, inter alia, declaration and judicial assignment relating to the patent applications and patents and/or any patents containing the invention and/or elements or characteristics. The plaintiffs seek, inter alia, the intellectual property rights and trademarks pertaining to the injunction. The plaintiffs seek, inter alia, injunction relief, account of profits and damages.

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A SUMMARY OF THE DEFENDANTS' CASE

[18] The alleged confidential information is not confidential in that it does not possess the requisites for confidentiality nor are appropriate steps being taken by the plaintiffs to preserve the confidentially of the alleged information. There is hence, no breach of any obligation of confidence on the part of the first defendant and correspondingly, by the other defendants.

[19] The research and development ('R&D') work purportedly conducted by the plaintiffs, if any, consisted of show how and know how within the skill and knowledge of the first defendant, the technology relating to the show-how and know-how is in any event, not confidential, is obvious and generally available as common general knowledge in the field of both the invention and technology relating to innovators and shredders.

[20] The Industry Research and Development Grant Scheme ('IGS') was secured on a special arrangement with FRIM as required by the Ministry of Science, Technology and Environment and the utilisation of the grant for R&D purposes relating to the shredder and the plaintiffs' MDF project does not in any way displace the understanding among the family member shareholders and directors of the plaintiff, the first and fifth defendants (including tai swee kian, a director of the fifth defendant and the then husband of the first defendant) at the material time.

[21] The first defendant's employment with the plaintiffs was a mutual family arrangement of convenience and was in furtherance to a common understanding and objective of both the plaintiffs and the defendants to utilise and benefit the experience and knowledge of the first defendant in the palm oil industry.

[22] The plaintiffs are, at all material and relevant times, aware of and consented to the activities of the first defendant as well as the other defendants.

[23] The manner with which the first defendant conducted the affairs of the plaintiffs and the defendants was well within the knowledge and express approval of the plaintiffs and the directors.

[24] The alleged invented shredder has been prior disclosed by reason of the 'fractionator' and is obvious in the light of the prevailing common general knowledge of persons skilled in the art in the field of the invention.

[25] Of the patent and utility innovations other than MY-125685-A, they do not relate to the same invention as MY-125685-A and are independent

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innovations and inventions of the inventors identified therein, to the knowledge and consent of the plaintiffs. These were undertaken without the utilisation of any alleged confidential information of the plaintiffs but were wholly conceived from the stock of knowledge of the first defendant and the inventors.

[26] By reason of the family understanding and common objective with regards the alleged employer-employee relationship between the plaintiffs and the first defendant, the first defendant is not in breach of her obligations and fiduciary duties as a director. Even if there were a breach, such breach was instructed by or expressly or tacitly consented to by the plaintiffs and the directors.

[27] In the premises, the plaintiffs are not entitled to the reliefs prayed for.

FINDINGS OF COURT

[28] I have read and considered in great detail the witness' statements and the oral testimonies of PW1–PW4 and DW1–DW4 and all the exhibits referred to by these witnesses. I have also considered in detail the written and oral submissions of both the plaintiffs and the defendants. Having given this matter the most careful consideration, I take the following views on the matters arising for decision in this action.

THE PLAINTIFFS' CLAIM TO PATENTS AND/OR PATENT APPLICATIONS

[29] The invention that the plaintiffs seek to protect covers a wider scope of products and processes relating to, amongst others, MDF and Mulching Mats and not limited to the shredder. The plaintiffs seek judicial assignment of the patents and/or patent applications as a remedy on the basis of the first defendant's employment with the Soon Seng Palm Oil Division and the task assigned to her in research and development activities for the benefit of the Soon Seng Palm Oil Division.

[30] A good starting point is s 12 of the Patents Act 1983 ('the Act') which provides the meaning of an 'invention' as follows:

(1) An invention means an idea of an inventor which permits in practice the solution to a specific problem in the field of technology.

(2) An invention may be or may relate to a product or process.

[31] Bearing in mind the wide meaning of 'invention' in s 12, in my view,

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everything from the apparatus that was invented to shred the fiber to the process of extracting and producing the fiber, the fiber itself and the end-products are all covered under the invention which the plaintiffs claim rights to and this is rightly so given the nature and extent of the innovations and inventions that arose pursuant to the FRIM-Soon Seng collaboration.

[32] There can be no doubt as clearly supported by the contemporaneous documents and events that the invention was the direct result of the elaborate exercise undertaken by FRIM and Soon Seng under the FRIM-Soon Seng memorandum of agreement dated 3 June 1997 ('MOA') and the further research and development continued by the Soon Seng Palm Oil Division, and particularly the second plaintiff. The FRIM-Soon Seng MOA as per the intention of the parties was initially to set up equipment for the extraction of fiber from oil palm EFB to be used as raw material for the production of MDF. The parties later looked at amending the MOA to allow for continuous production of Mulching Mats as a further by-product of the production line from EFB into fibre.The Soon Seng Group and FRIM had specific obligations as set out under the MOA. FRIM had the technical knowledge, personnel and research facilities whilst Soon Seng had the resources in terms of space and facilities for fabrication and installation of the various equipments and the EFB.

[33] DW4 confirmed that neither the first defendant nor the fifth defendant had any collaboration with FRIM. FRIM had a prior collaboration with United Plantations and FRIM had collaboration with the Soon Seng Group. No other collaboration had arisen prior to the FRIM-Soon Seng MOA or during its existence nor has there been one after this MOA.

[34] The defendants' contentions are that the plaintiffs' case on the invention is limited to the shredder and that the first defendant invented the shredder outside the purview of the plaintiffs upon the plaintiffs' refusal to invest in the development of the shredder.

[35] In my view the invention is not limited to the shredder but encompasses the wider definition of 'an invention' which includes the shredder. It is my findings that the shredder that is the subject matter of PI 97005315 (now granted as MY-125685-A) is the direct result of the collaboration between FRIM and the Soon Seng Group. AH research and development activities relating to the MDF Project and its by-products were carried out at the expense of the Soon Seng Palm Oil Division and at no cost to the first defendant and/or the other defendants.

[36] I am unable to accept the contention of the defendants that the shredder was developed by the first defendant and the fifth defendant. The first

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defendant said that she had developed a shredder of her own without being able to produce any evidence to support that allegation. There is no truth at all in the shredder being the first defendant's personal project with FRIM. All averments by the defendants in this respect are but bare allegations. The defendants have failed to produce any agreement in writing between her and FRIM on a prior collaboration and is unable to produce any evidence relating to the research and development into the shredder on her own and with the fifth defendant which would commonly be found in log books or notes maintained by researcher. I cannot accept the story that she personally and in her private capacity had and possessed a working relationship with FRIM outside the FRIM-Soon Seng collaboration. The sale of the shredder/fiber extractor machine does not shed light as to how the fifth defendant could have financed the development of the shredder. On the contrary, it only strengthens the fact that the first defendant is capable of manipulating her position within the Soon Seng Palm Oil Division to benefit herself and her companies to the detriment of the Soon Seng Palm Oil Division.

[37] Furthermore, there is no basis to accept that FRIM (being a semi-governmental agency) and Soon Seng applied for the grant only for purposes of obtaining monies from the government. When looked at in totality, it is clear the shredder that was developed under the FRIM-Soon Seng collaboration is the only shredder apart from the UP fractionators. The shredder was fabricated in line with the objective of the MOA and the Soon Seng Palm Oil Division was going ahead with the fabrication of the shredder which was to incorporate cost saving features without compensating the efficiency of the machine. DW4 when questioned under cross-examination on whether the drawings handed over to the project team on 7 July 1997 was the UP drawings, said that it was not the same drawings and that the FRIM-Soon Seng collaboration came up with its own drawings. He went on to agree that the shredder developed under the FRIM-Soon Seng collaboration was different from the UP fractionators as there were modifications and additional features added to improve the device. Moreover, and this is important, the shredder has been registered as a patent under the Act as MY-I25685-A. That in itself is conclusive as far as the register is concerned that the shredder as developed is a protectable invention. In any event, it is important to note that the defendants do not seek to challenge the validity of the registration of the patent of MY-I2568S-A under the Act.

[38] The question then arises as to why the shredder was applied under the names of FRIM and the fifth defendant as opposed to FRIM and Soon Seng. This is answered by DW4 evidence to the effect that during that time, the fifth defendant was involved because it was represented as a sister company within the Soon Seng Group. According to DW4 from the beginning he remembered

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that he thought that Soon Seng and the fifth defendant were together and that the fifth defendant was a sister company or something to that effect.

[39] Hence, to conclude it is established that the invention is a direct result of the FRIM-Soon Seng collaboration. It follows therefore that the shredder which forms the subject matter of PI 97005313 (now granted as MY-125685-A) and Ul 20033720 (now granted as MY-137256-A) arose out of the collaboration between FRIM and Soon Seng.

[40] Evidently, the patents and patent applications contains the essential elements of the invention which primarily relate back to the shredder that was developed under the FRIM-Soon Seng collaboration and the process of extracting and producing fiber from EFB.

[41] At this juncture, it is necessary to discuss the first defendant's capacity. Herein lies the dispute. However, based on the evidence, it has been established that the first defendant was a director and CEO of various plaintiff companies within the Soon Seng Palm Oil Division and that she had undertaken this role in an executive capacity. It is relevant to note that according to s 3 of the Act, an 'employee' means 'a person who work or has worked under a contract of employment, or who is in employment under, or for the purpose of, any individual or organization'. What is important for the purposes of the Act is that there exists an employer-employee relationship. This is a matter of fact to be determined from all the circumstances of the case. A written agreement evidencing a contract of employment is not a pre-requisite (see *Ultraframe UK Ltd v Fielding* [2003] RPC 23). In the course of the trial, the plaintiffs seek to admit a copy of the letter of employment dated 30 December 1994. The plaintiffs were not able to produce an original copy. The very existence of this particular letter was disputed and to-date, the said letter remained as disputed document, marked as 1DP1. In my view, it is not admissible as secondary evidence under the Evidence Act 1950. Nevertheless, an important point to note is that the first defendant admitted at the trial that she had carried out in practice the very duties and obligations as set out in the letter of employment. In this regard, under the letter of employment, there were also specific and express duties dealing with protection of confidential information during and post-employment.

[42] Now, the first defendant could not deny the fact that she was an employee of the plaintiff companies, the fact that she drew a salary and the fact that she exercised executive functions. What's more, the evidence that the first defendant had exercised duties as an executive director is well established and included inter alia, the fact that she was assigned to look after the palm oil mill division; she helped set up the first and third plaintiffs; she dealt with bankers; she signed payment vouchers; she signed off letters representing herself to be in

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charge of the companies, and she was in charge of employing person or human resource issues and overall in charge of the operation of the plaintiffs' companies. On top of that as executive director and CEO, she was the person who was appointed to spearhead the plaintiffs' aspirations to go into research and development in conjunction with FRIM as evidenced in the board resolution dated 5 March 1997 and the steps that she implemented as the representative of the Soon Seng Group in the collaboration with FRIM. The minutes of meeting with FRIM will show that she played an active role in the development of the shredder and other products and processes under the banner of the FRIM-Soon Seng collaboration.

[43] This brings me to s 20(1) of the Act, which reads as follows:

> In the absence of any provisions to the contrary in any contract of employment or for the execution of work, the rights to a patent for an invention made in the performance of such contra of employment or in the execution of such work shall be deemed to accrue to the employer, or the person who commissioned the work, as the case may be;
>
> Provided that where the invention acquires an economic value much greater than the parties could reasonably have foreseen at the time of concluding the contract of employment or for the execution of work, as the case may be, the inventor shall be entitled to equitable remuneration which may be fixed by the Court in the absence of agreement between the parties.

[44] In order to bring themselves under s 20(1) the plaintiffs would have to establish:

(a) that the first defendant was an employee and had a contract of employment with the plaintiffs;

(b) that the first defendant had carried out various activities in the performance of her contract of employment which brought about the invention;

(c) that there was nothing contrary in her contract of employment which would have suggested that she could claim ownership of the invention.

[45] In my view there is overwhelming evidence as discussed earlier to conclude that the first defendant is an employee of the Soon Seng Palm Oil Division and was under a contract of employment with the Soon Seng Palm Oil Division. Taken as a whole, I am unable to accept her defence that at no time was she an employee or a director of the plaintiffs group of company. In my view, the first defendant's version in this respect must be looked at very carefully. I find it hard to accept her defence which premised on the family relationship with the Tai family and consequently, no legal relations can be ascribed between the plaintiffs and herself. In my view, the evidence of the first

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defendant did not fit in with the circumstances of the case. Hence, I am unable to accept the arguments of learned counsel for the defendants to the effect that the whole scheme of the factual matrix and operational setting between the first defendant and the plaintiffs was based on family arrangements that are devoid of any legal intention to create legal intentions. In my view, her family relationship does not alter the terms of her employment with the plaintiffs.

To my mind, based on the evidence taken as a whole, the first defendant relationship with the plaintiff companies as such must certainly attract the full weight of the law in respect of her fiduciary duties to the plaintiff companies and the applicability of s 20 of the Act.

[46] On the question whether an invention was made in the performance of the contract of employment, the first defendant had undertaken as part of her scope of employment, the duty and obligation to further the plaintiff companies' interest in research and development, in this context, the oil palm industry. It is worthy of note that the first defendant who first approached the plaintiffs' directors and suggested that something should be done to deal with the problem of EFB and to turn it around to a profitable venture. In my view, from the moment the first defendant was entrusted to look into ways of converting EFB into fiber, from that point in time, she was imposed with an obligation to carry out all activities for the benefit of the plaintiff companies and is therefore caught under s 20(1) of the Act (see *British Reinforce Concrete Engineering Company Ltd v Lind* (1917) 34 RPC 101). The first defendant is in fact a trustee of the invention and bound to give the benefit of all steps taken by her to her employer (see *Triplex Safety Glass Co Ltd v Scorah* (1938) 55 RPC 21). It is important to note that s 20 does not say that the employee must have made 'the invention'. What the section actually says is that if an invention were to result from the carrying out of duties by an employee, then any such invention would be deemed to accrue to the employer. In other words, it does not have to be proven that the first defendant herself invented the various products and process claimed under the invention (see *LFFE Administration and Management v Pavel Pinkava* [2007] RPC 30). The first defendant as a representative of Soon Seng was named the inventor of the products and processes which arose from the FRIM-Soon Seng collaboration. That does not mean that she is the owner as she did so as trustee and employee under her contract of employment and any invention thereunder would accrue to the benefit of the employer, namely the plaintiffs. In this respect, in my view, all the inventions of the wider definition of invention as pleaded in the statement of claim would be deemed to accrue to the plaintiffs as employer without exception as they contain the essential elements of the wider definition of invention.

[47] Next I move on to the issue whether there was any provision contrary to the contract of employment which would suggest that the plaintiffs cannot

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claim ownership or rights to the patents and patent applications in question. In this regard, I reject the suggestion of the existence of some implied understanding between the first defendant and the directors of the Soon Seng Palm Oil Division that she could exploit certain aspects of her inventive activity without being bound by her employment obligations and fiduciary duties owed to the Soon Seng Group of companies. In my view, there is nothing contrary to the first defendants contract of employment to defeat the plaintiffs' right to claim ownership rights to the patents and patent applications in question. Furthermore, in my view, all inventions that arose by her actions as employee would be deemed to accrue to the employer pursuant to s 20(2) of the Act. By reason of her employment in the Soon Seng Palm Oil Division, the patent right to the Invention conceived accrued to the Soon Seng Palm Oil Division. This is the basis of the plaintiffs' claim for judicial assignment.

[48] I take the view that the invention is the final product of time, money and effort spent by the Soon Seng Palm Oil Division, and particularly the second plaintiff. The second plaintiff is the owner of all rights to a patent for the invention.

CONFIDENTIAL INFORMATION

[49] The second plaintiff's confidential information relating to the invention has been identified in para 24 of the statement of claim and elaborately explained by PW2. These essentially include technical details, specifications and trade secrets relating to the invention as well as market study and research and list of customers of the plaintiffs. It is to be noted at the material time, the products and processes arising from the conversion and production of oil palm EFB into fiber was indeed the first of its kind in Malaysia. It is not denied that part of the second plaintiff's confidential information comprises of technical drawings and information provided by Siempelkamp relating to machinery and components used for the production of MDF. The configuration and operations of the machinery are nevertheless unique and tailor-made to suit the process undertaken by the Soon Seng Palm Oil Division in producing MDF. The configuration and operation will differ when utilised to suit a different process.

[50] The first defendant's position in the plaintiff companies undoubtedly placed her in a position where she was exposed or made privy to the data and confidential information belonging to the plaintiffs. Her position as director would have attracted an implied duty to preserve confidentiality (see *Faccenda Chicken Ltd v Fowler & Ors* [1987] 1 Ch 117). Directors are under a special duty not to use the information to obtain collateral gain of competitive edge (see *Cranleigh Precision Engineering Ltd v Bryant and anor* [1964] 3 All ER 289). The information cannot be used (even if the elements differ slightly or

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A can be ascertained elsewhere in public) as a springboard to launch competitive business (see *Seager v Copydex Ltd* [1967] 2 All ER 415 and *Regent Decorators (M) Sdn Bhd v Michael Chee & ors* [1984] 2 MLJ 78).

B **[51]** It is my findings that the first defendant, through her position in the plaintiffs companies, had unlawfully misappropriated, disclosed and/or used the second plaintiff's confidential information. The first defendant set up companies which engaged in the same research and development that arose from the FRIM-Soon Seng collaboration and launched competitive businesses using such information. The defendants benefited from the information C derived from the efforts under the FRIM-Soon Seng collaboration, when asserting proprietary rights over the invention and by-products as shown in the third defendant's prospectus. Comparison of the elements in the patent and patent applications filed by the defendants clearly shows the similarities in the information derived through the research and development of the invention. D In my view, the most telling feature of her breach was the fact that she had every intention to use the second plaintiff's confidential information to launch competing businesses with the plaintiffs. The irresistible conclusion looking at the action and conduct of the first defendant and that of the other defendant companies is that they were privy to this confidential information and had E unauthorised use of the same. The Mulching Mat produced under the FRIM-Soon Seng collaboration was renamed 'ECOMAT' in the third defendant's prospectus. The shredder, known as SSF-I and later called 'ECOFIBREX' as an achievement also found its way into the third defendant's prospectus and was claimed as breakthrough invention by the first defendant F and her companies. The transferring of the Mulching Mat production line from the fifth plaintiff to the fifth defendant and the subsequent development and commercialisation of mulching mats and shredders by the first defendant and her companies are clear evidence of misappropriation.

G **[52]** Having regards to the facts and circumstances, I am unable to agree with the contention of the defendants that the information is public and commonly known in the palm oil industry and that no procedure was put in to protect the information of such nature. Publication of a patent specification does not mean H that the information is in the public domain (rendering the confidentiality lost) (see *Ansell Rubber Co Pty Ltd v Rubber Industries Pty Ltd* [1972] RPC 881).

[53] On the whole, the plaintiffs have shown that the plaintiffs' confidential information have satisfied the three limbs laid down in the case of *Coco v AN* I *Clark (Engineering) Ltd* [1969] RPC 41.

BREACH OF FIDUCIARY DUTIES/TRUST

[54] It is trite law that a director has fiduciary duties and duty of care and skill

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and diligence towards the company. Section 132(2) of the Companies Act 1965 embodied these principles as follows:

(a) a director or officer of a company shall not, without a consent or rectification of a general meeting —

(a) use the property of the company;

(b) use any information acquired by virtue of the his position as a director or officer of the company;

(c) use his position as such as a director or officer;

(d) use any opportunity of the company which he became aware of in the performance of his functions as a director or officers of his company; or

(e) engage in business which is in competition with his company;

to gain directly or indirectly a benefit for himself or for any other person, or cause detriment to the company'

[55] As an employee/director of the Soon Seng Palm Oil Division, the first defendant was under an obligation:

(a) contractually to manage the oil palm division to ensure its profitability, future expansion, and research and development;

(b) contractually not to divulge, use or disclose the second plaintiff's confidential information and to protect such information during or after termination of her employment;

(c) of fiduciary duty to act in good faith in the best interest of the Soon Seng Palm Oil Division;

(d) of fiduciary duty to exercise her powers to achieve corporate purposes and not for a collateral purpose;

(e) of fiduciary duty not to place herself in a position of conflict where she stood to gain at the expense of the Soon Seng Palm Oil Division; and

(f) akin to that of trusteeship in respect of Soon Seng Palm Oil Division's assets and property.

[56] In my view, the first defendant had misappropriated and converted the invention and the second plaintiff's confidential information for her own use and that of the defendants. In doing so, she caused the patents and patent applications to be filed under her name and/or the defendants' names (details of the patents and patent applications can be seen at para 27 of the amended statement of claim). The defendants would not have been able to make the patent applications and/or patents or carry out its own business in competition with the Soon Seng Palm Oil Division without using or disclosing the second

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plaintiff's confidential information. She made various misrepresentations to FRIM and the Government of Malaysia that the fifth defendant was an associated company of the Soon Seng Group when it was not. She unlawfully used and/or disclosed the second plaintiff's confidential information for her own benefit and set up various defendant companies that engaged in competing businesses with the plaintiffs and all these took place whilst she was still employed with the plaintiffs. This is a plain case of a conflict of duty and interest. The defendants have used the invention and the second plaintiff's confidential information which rightfully belongs to the Soon Seng Palm Oil Division as a 'springboard' to carry out their own manufacturing process including to manufacturing fibrous mats. The first defendant had acted in direct competition with the Soon Seng Palm Oil Division; failed to act in good faith and in the best interests of the Soon Seng Palm Oil Division; and placed herself in a position where her personal interest conflicted the with the interests of the Soon Seng Palm Oil Division.

[57] In my view, this is a clear case of a dishonest director who had intentionally and knowingly deceived her employer to their detriment and knowingly misappropriated her employers' properties. I conclude by saying that there has been a breach of fiduciary duties and trust on the part of the first defendant.

DAMAGES

[58] In his submission, learned counsel for the plaintiffs argued that the first defendant is not entitled to retain any personal benefit acquired in the conduct of the companies business and they must account for it. He argued that the plaintiffs are also entitled to damages in the sum of RM4,626,082.99 as prayed for in prayer (K) of the amended statement of claim being the loss suffered by the plaintiffs as a result of the first defendant's misdeeds. According to para 44 of the amended statement of claim, as a result of the breaches, the Soon Seng Palm Oil Division suffered loss and damage and was put to expense. The damages claim quantifiable at is as follows:

(a) amount paid by the fifth plaintiff being salaries, bonuses and allowances to Balachandran — *RM1,254,734.50*

(b) amounts paid to the defendants (or any one of them) under fictitious invoices and wrongful adjustments made or caused to be made by the first defendant in the accounts of the Soon Seng Palm Division — *RM3,371,348.49.*

[59] Now, regarding the claim RM1,254,734.50, Balachandran's letter of appointment dated 30 June 1993 in particular para 3(f) states that he was to be in charge of the three plaintiffs companies in addition to be in charge of the

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fifth defendant. It is therefore not entirely correct to say that he was employed to carry out tasks and functions solely for the fifth defendant. It is true that Balachandran carried out tasks and functions for the fifth defendant. But the fifth plaintiff had paid salaries, bonuses and allowances to Balachandran on the basis that he was also the technical man of the plaintiffs' group of companies. In the circumstances, in my view, the plaintiffs have not proved their case on a balance of probability that they are entitled to said sum of RM1,254,734.50.

[60] Regarding the claim for the sum of RM3,371,348.49, in the statements of Tai Nyak Chan, PW4 (ie P4), allegations of misuse of power are categorised under a few different transactions. In my view the plaintiffs have not proved their case on a balance of probability that they are entitled to said sum of RM3,371,348.49. I agree with the submissions of learned counsel for the defendants that the legal burden proving allegations of misuse of power particularly those involving the wrongful or mis-adjustment of funds, etc cannot be said to have been discharged simply by the mere production of debit notes or some of the general ledgers. In my view, it has not been satisfactorily established as to how these wrongful or mis-adjustments of funds or any of the alleged transactions were conducted. The legal burden requires the plaintiffs to (i) establish that these debit notes had been wrongful issued and (ii) the plaintiffs had suffered damages by the invoices not having been paid. There is nothing that can be claimed by the plaintiffs by the mere production of debit notes and corresponding unacknowledged delivery notes purportedly issued by the fifth defendant. Nowhere have the plaintiffs established that they had paid for these debit notes and if so, that these debit notes were paid for items ever received.

[61] On top of that, some of the claims do not form part of the particulars of the misuse of power in the amended statement of claim. For example, transaction A is defined as a transaction when fresh fruit bunches had allegedly been delivered by the first plaintiff to the fifth defendant but without payment being made. However, nowhere in para 43 of the plaintiffs' amended statement of claim were it indicated that non-payment of the issuance by plaintiffs of any of their products amount to misuse of power on the part of the first defendant. This is not the plaintiffs' pleaded claim. Transaction E is when there were allegedly transfer of funds in and out of the plaintiffs' bank accounts within a period of few months. The plaintiffs claim that such transactions were done with the intention of earning interests from the plaintiffs. This also does not form part of the particulars of the misuse of power in the statement of claim.

CONCLUSION

[62] Therefore, to sum it up, I take the view that the plaintiffs have proven on the balance of probability, inter alia, the following:

(a) the invention as has been set out in para 17 of the amended statement of

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claim was the direct result of the collaboration undertaken by FRIM and Soon Seng Group under the memorandum of agreement dated 3 June 1997;

(b) at all material time, the first defendant was an employee and a director/chief executive of the Soon Seng Group;

(c) the first defendant was an employee in the context of s 3 of the Act;

(d) the plaintiffs have fulfilled the requirements of s 20(1) of the Act in that;

(i) the first defendant was an employee and had a contract of employment with the plaintiffs;

(ii) the first defendant had carried out various activities in the performance of her contract of employment, which brought about the invention;

(iii) there was nothing contrary in her contract of employment, which would have suggested that she could claim ownership of the invention.

(e) all information relating to and in connection to the invention belonging to the plaintiffs is confidential in nature;

(f) It is the duty and responsibility of the first defendant to protect and preserve confidentiality during and post employment.

(g) the first defendant through her position in the plaintiffs had unlawfully misappropriated, disclosed and/or used the plaintiffs' confidential information.

(h) the first defendant had breached her duty of confidentiality imposed on her when she unlawfully used and disclosed the plaintiff's confidential information, communicated to her under an obligation of confidence; and

(i) during her employment with the plaintiffs, the first defendant acted in breach of her fiduciary duties in that she, inter alia, acted in direct competition with the plaintiffs and placed herself in a position where her personal interest conflicted with the interests of the plaintiffs.

[63] For the reasons stated above, I allow the plaintiffs' claim declaration under prayer A and B of the amended statement of claim. I also allow prayers C, D, E, F, G, H, I, J, M, P & Q. I do not allow damages in the sum of

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RM4,626,082.99 as prayed for in prayer K of the amended statement of claim for the reasons that the plaintiffs have not proved their case on a balance of probability that they are entitled to the sum.

Plaintiffs' claim allowed in part.

Reported by Kohila Nesan